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FOREIGN SERVICE DESPATCH

DESP. NO. 5

FIRST

FROM : American Embassy, Tripoli.

TO : THE DEPARTMENT OF STATE, WASHINGTON July 5, 1955
DATE

REF :

For Dept. Use Only	ACTION	DEPT.
	REC'D 7/14	IN OTHER

SUBJECT: Conversation between Ambassador Tappin and the Prime Minister on June 25, 1955.

At Prime Minister Ben Halim's request the Ambassador and reporting officer called on June 25 and discussed the following subjects in which Ben Halim had indicated a particular interest during a Reception the previous day:

1) Gift Wheat
2) Economic Aid
3) Franco-Libyan Negotiations
4) Italo-Libyan Property Negotiations

A memorandum of the conversation and a copy of the Aide Memoire from which the Prime Minister spoke are attached as Enclosures 1 and 2 respectively.

Of especial interest is the fact that Ben Halim's request for additional economic aid in the amount of one million pounds ($2.8 million) was so moderate in comparison with the figure of $5 - 6 million frequently mentioned by the Libyan representatives on the Libyan American Reconstruction Commission (LARC).

With regard to the Fezzan the Prime Minister came closer to threatening an immediate appeal to the United Nations than he has ever done before. On the current Italian Property Negotiations he seemed fully aware of the future economic and commercial advantages to Libya of a final settlement but will obviously endeavor to obtain from the Italians the largest possible cash award for property damages that the market will bear.

For the Ambassador:

David G. Nes
First Secretary of Embassy.

Enclosures:
1. Memo of Conversation
2. Copy of Aide Memoire

cc: Benghazi

DEPARTMENT OF STATE A/CDC/MP
REVIEWED BY J.M.Razi DATE 5/6/82
FOREIGN DEPARTMENTS AFFECTED

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Desp. No. ____
From ____

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Page 1 of
Encl. No. 1
Desp. No. 5
From Tripoli.

MEMORANDUM OF CONVERSATION

June 25, 1955

PARTICIPANTS: Prime Minister Mustapha Ben Halim
Ambassador John L. Tappin
David G. Nes, First Secretary of Embassy

SUBJECT: (1) Gift Wheat
(2) Economic Aid
(3) Franco-Libyan Negotiations re Fezzan
(4) Italo-Libyan Property Negotiations

The Prime Minister opened the discussion by saying that, as he had indicated the previous day, he wished to discuss four subjects.

(1) Gift Wheat. The Prime Minister revealed that he had just obtained the King's signature to a letter addressed to the President, expressing Libya's appreciation for American assistance in the areas of famine relief and locust control. The King in his letter also expressed the hope that the United States would give sympathetic consideration to Libya's continuing needs.

The Ambassador stated that the King's letter would be considered a gesture of warm friendship and would be appreciated by the President. As the Prime Minister had doubtless learned from Ambassador Muntasser in Washington, Libya's request for interim grain shipments between now and September 1 totalling 6,800 tons, had recently been approved. The Ambassador expressed the view that, at such time as the current survey of this year's harvest was completed, Libya's need for additional grain would be viewed sympathetically. The Prime Minister said he certainly hoped the United States would furnish whatever wheat was required over and above the 6,800 tons in order to meet the anticipated deficit. Unless this deficit could be met by American gift wheat, it would be necessary to stop a number of major economic development projects in order that funds would be available for grain purchase on the international market. The Prime Minister then handed Ambassador Tappin a memorandum describing in some detail the procedures which would be used for distribution in the future of American gift wheat. He pointed out that the wheat would not be used, as heretofore, for partial payment for labor performed on construction projects.

(2) Economic Aid. With regard to economic aid for the fiscal year 1956, the Prime Minister stated that LARC had already earmarked four and one-quarter million pounds for major construction projects. In effect, therefore, all American funds which Libya would receive this year were committed. In order, 1) to complete the subscription for the Agricultural Credit Bank, 2) to purchase certain essential farm machinery and 3) to construct a radio link between Benghazi and Tripoli an additional one million pounds would be necessary. The Prime Minister expressed the hope that economic aid over and above that already promised Libya would be forthcoming in approximately that amount. The Ambassador said he was optimistic, but that naturally he could go no further since the foreign aid appropriation bills had not yet been approved by the American Congress. He said that these bills probably would be passed by August 1 and that at that time it would be possible to determine what economic aid, if any,

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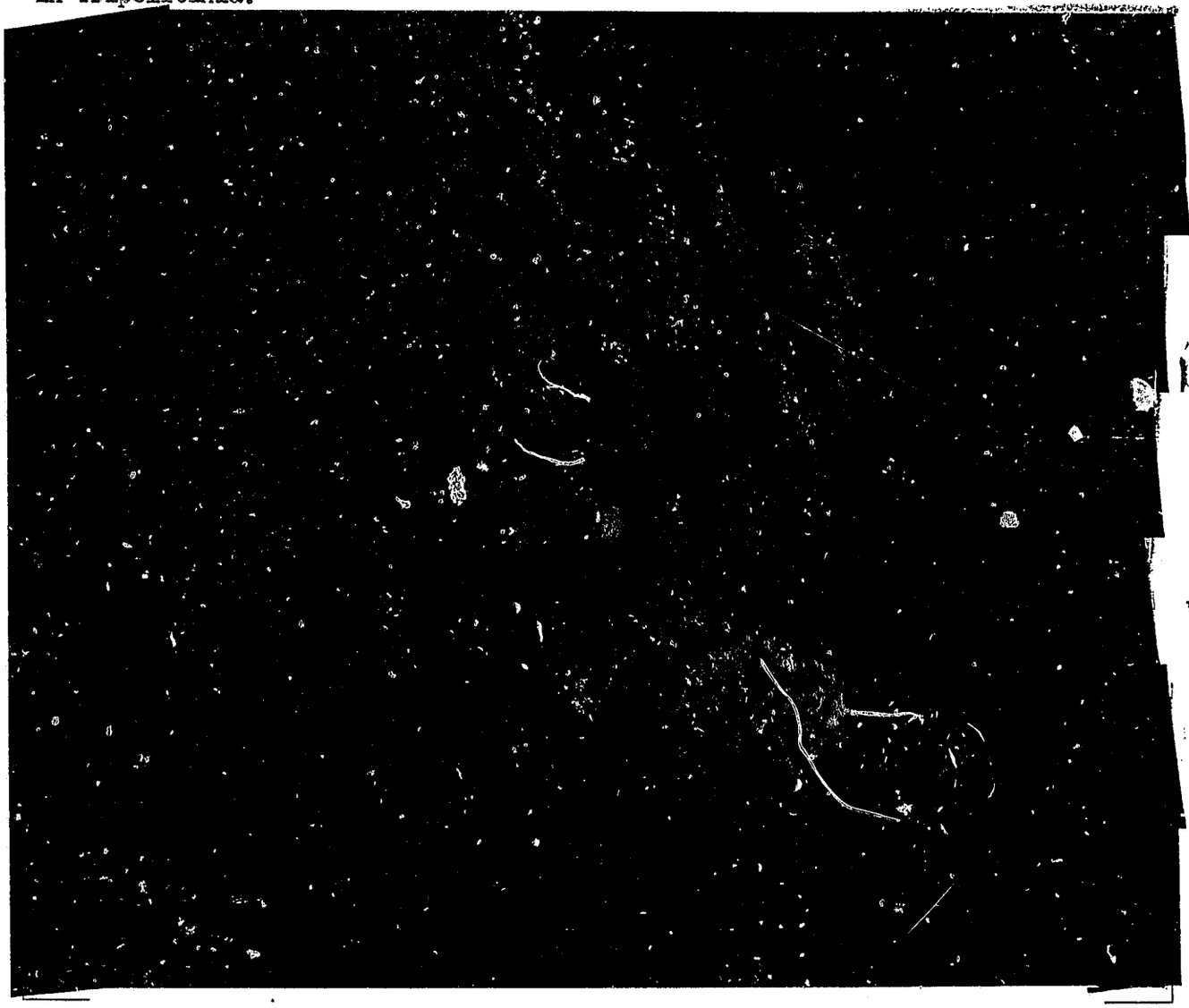
had been allotted to Libya. The Ambassador then said that he wished to digress a moment and discuss the matter of the Tripoli power plant. This was one project for which LARC had allocated funds and of which he did not entirely approve. The Ambassador proposed that further consideration be given to the possibility of financing through foreign investment capital the purchase of the plant from its present Italian owners and its modernization. This was the perfect example of legitimate private enterprise. Were a foreign company, British, German, Swiss, American, etc., to be given an opportunity to come in and take over the plant, Libya would not only have the funds now allocated toward it for use in other construction projects but, in his opinion, would enjoy a power plant operated far more efficiently than could possibly be done under government ausp[illegible]. The Prime Minister agreed but said it was a question of "internal politics" that since he himself had promoted the nationalization of electric power [illegible] naica, he could not now pursue an opposite policy and champion foreign [illegible] in Tripolitania.



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The Prime Minister said he had now covered the four topics and Ambassador Tappin mentioned that Mr. John Root, who was the new Officer in Charge of North African Affairs, and who was now visiting Tripoli was, in fact, in the Prime Minister's outside office. He wondered whether he could call him in. The Prime Minister said he remembered Mr. Root from his visit to Washington last summer and asked that he join the meeting. After Mr. Root joined the group, the discussion revolved around generalities and was most friendly and informal.

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AIDE MEMOIRE

FAMINE RELIEF:

The procedure followed this year of granting famine relief in kind against work has not proved satisfactory because in the main relief works carried out have been of an ad hoc nature and not in accordance with any planned development projects; relief work in connection with planned development projects was not possible in this last year as in carrying out such work it is necessary to have considerable supplementary funds or equipment, wages in kind, etc., and, furthermore due to the fact that relief work was in fact mainly ad hoc proper controls could not be exercised, and I am afraid there may have been certain abuses. To continue such ad hoc practices would probably end in having a large permanent body of people who would come to expect relief employment each year and desert their own normal means of employment, e. g., farming.

This year we propose to give straight famine relief to the really needy, consisting of those whom are completely without means - 10 kilograms of grain a person a month and to the other really needy a varying amount of assistance from 1 to 9 kilograms per person according to circumstances. Furthermore it is intended that an assessment be made each month as to the individual need and where a fit person is offered employment and refuses the relief famine assistance can be stopped. In this connection attached hereto are the Rules which have been approved by the Council of Ministers and you will see that we hope that Mr. Gordon will serve on the Federal Supervisory Committee.

We do not yet know the total of grain assistance we will need but it should be a gradually reducing figure as development projects made possible by LARC funds commence in the different localities and so provide work and wages for people in those areas.

There will be an element of relief work for part payment in grain in Benghazi and Tripoli in connection with the LARC Water Spreading Projects in Barce, Wadi Gattara Benghazi and Wadi Megenine in Tripoli.

I am very grateful that the initial assistance given by your Government this year is under Title II and I hope that your Government will see its way to continue the flow of gift wheat following this initial gift of 6,800 tons at such rate as may prove to be necessary from an assessment of requirements taken from returns called for by the Federal Government. I would hope that tentatively your Government will agree to the flow of grain continuing at the rate of 3,250 tons a month to be modified in the light of our actual need.

'ADDITIONAL' ECONOMIC AID:

This year LARC has earmarked for expenditure a total of £ 4,286,000 leaving an unexpended balance of £ 12,400. Of this sum £ 1,000,000 is earmarked for Tripoli Power Station, £ 500,000 for our National Bank and £ 500,000 for the Agricultural Bank. In this connection LARC has noted that an additional £ 500,000

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capital will be provided when required, but the actual sum has not been earmarked. Subject to my following remarks the balance of £ 2,286,000 together with the development expenditure in our own Exceptional Budget and the Development Agency's budget is the total we can spend this year without taking the risk of possible wasteful spending, as the projects the Commission has in view for expenditure this year have been well thought out and planned and will absorb and will fully occupy all the supervisory people we have available at the moment and, unless proper supervision is carried out, wasteful expenditure might follow.

With regard to 'additional' economic aid this year, I have for the time being, only the following suggestions for consideration by your Government:

(1) Completion of the subscription of the capital to the Agricultural Bank	£ 500,000
(2) Provision of certain heavy agricultural equipment for agricultural 'pools ...	200,000
(3) All Libya Radio Link ...	300,000

Regarding the latter I would ask that your Government give urgent and sympathetic consideration to this item as we had this necessary provision in our own Exceptional Budget but due to the locust invasion we have had to cancel it to provide the necessary funds to cover our own cash expenditure in connection with the campaign. Later in the year LARC may of course suggest a request for further funds in the field of capital equipment.

Apart from the foregoing suggestions for 'additional' aid the expenditure envisaged this year is in respect of funds that have accumulated due to the late commencement of LARC operations, and I would be grateful if your Government would consider sympathetically the carrying forward of any further 'additional' economic aid that might have been contemplated in the current year to subsequent years so as to maintain our planned programme of development at the rate we had hoped for and as shown by Mr. Hannam's various charts.

I would like to refer to the Tripolitania Electric Power Station and distribution system also. With the provision of £ 1,000,000 by LARC we are left with approximately £ 2,000,000 to find over the next, approximately, three years. So that the cost of electric power would be at the lowest possible price to the agriculturalist, I had hoped that the Government of the United States would consider the whole project as one suitable for LARC, under 'additional' economic aid and I do still hope that your Government will consider it as such; however, should that not prove possible I do hope that, in case of need the Government of the United States will assist in providing the balance as loan finance on the most generous terms possible.

25.6.1955.